

A BILL TO BE ENTITLED

AN ACT

relating to requirements for governmental contracts with nonprofit organizations regarding the use of money provided under those contracts.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter Z, Chapter 2252, Government Code, is amended by adding Section 2252.909 to read as follows:

Sec. 2252.909. CONTRACTS WITH NONPROFIT ORGANIZATIONS. (a)

In this section:

(1) "Governmental entity" has the meaning assigned by Section 2251.001.

(2) "Nonprofit organization" means an organization exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c)(3) of that code.

(b) This section applies only to a contract to be paid partly or wholly from public funds between a governmental entity and a nonprofit organization.

(c) A governmental entity may not enter into a contract with a nonprofit organization unless the contract contains a written verification from the organization that the organization will not use more than 20 percent of the money provided under the contract for an administrative purpose, including for payment of the organization's employee or officer salaries.

1 SECTION 2. The change in law made by this Act applies only
2 to a contract entered into on or after the effective date of this
3 Act. A contract entered into before the effective date of this Act
4 is governed by the law as it existed immediately before the
5 effective date of this Act, and that law is continued in effect for
6 that purpose.

7 SECTION 3. This Act takes effect September 1, 2021.